TCL

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
TCL 多媒體科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01070)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS
Unaudited results for the six months ended 30 June

	2015 *(HK$M)*	2014 *(HK$M)*	**Change**
Turnover	**15,397**	15,203	1.3%
Gross profit	**2,503**	2,382	5.1%
Operating profit	**199**	309	(35.8%)
Net profit after tax	**122**	168	(27.1%)
Profit attributable to owners of the parent	**136**	169	(19.6%)
Basic earnings per share *(HK cents)*	**10.25**	12.78	(19.8%)

BUSINESS HIGHLIGHTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2015

- The Group sold 7.72 million sets of LCD TVs, an increase of 2.1% year-on-year. Sales volume of LCD TVs in the PRC Market increased by 8.8% year-on-year to 3.87 million sets, while sales volume of LCD TVs in the Overseas Markets decreased by 3.8% year-on-year to 3.85 million sets.

- The Group achieved a turnover of HK$15.4 billion, up by 1.3% year-on-year, with 6.8% year-on-year growth in turnover in the PRC Market while 7.0% year-on-year decline in turnover in the Overseas Markets. Gross profit margin increased from 15.7% of the same period of last year to 16.3%. Operating profit was HK$200 million, representing a decrease of 35.8% year-on-year. If a one-off gain of approximately HK$160 million in the first half of 2014 from the closure of certain subsidiaries was excluded, operating profit would have increased by 32.1% when compared with the same period of last year. Profit attributable to owners of the parent amounted to HK$140 million. Basic earnings per share was HK10.25 cents.

- Product competitiveness has improved, with product mix enhancements yielding positive results. The average selling price of LCD TVs in the PRC Market increased by 4.2% year-on-year. The sales volume of smart TVs in the PRC Market surged by 53.4% year-on-year, accounting for 50.7% of the Group's total LCD TV sales volume in the PRC Market. The sales volume of 4K TVs in the PRC Market amounted to 535,000 sets, accounting for 13.8% of the Group's LCD TV sales volume in the PRC Market. Curved TV market share in June reached 24.0% and ranked No.1 among the domestic brands in the PRC Market (Source: All View Cloud ("AVC")).

- The accumulated number of TCL activated smart TV users of the Group totalled 9,062,871. The daily average number of active users in June 2015 was 3,440,254 (Source: Huan Technology Co., Ltd.).

- According to the latest DisplaySearch figures, the Group ranked No.3 in the global LCD TV market with a market share of 6.0% in the first quarter of 2015 and ranked No.3 in the PRC LCD TV market with a market share of 15.8%.

The board of directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June		Three months ended 30 June	
		2015	2014	**2015**	2014
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**15,397,057**	15,202,818	**7,111,819**	7,314,227
Cost of sales		**(12,893,787)**	(12,820,640)	**(5,797,139)**	(5,957,960)
Gross profit		**2,503,270**	2,382,178	**1,314,680**	1,356,267
Other revenue and gains		**186,831**	407,128	**68,774**	325,915
Selling and distribution expenses		**(1,719,116)**	(1,776,490)	**(911,994)**	(971,195)
Administrative expenses		**(481,658)**	(440,701)	**(202,016)**	(247,119)
Research and development costs		**(288,498)**	(212,514)	**(158,195)**	(135,035)
Other operating expenses		**(2,124)**	(50,292)	**(2,118)**	(50,212)
		198,705	309,309	**109,131**	278,621
Finance costs	5	**(82,348)**	(98,918)	**(46,506)**	(53,735)
Share of losses of:					
Joint ventures		**(19,858)**	(5,205)	**(12,256)**	(4,238)
Associates		**(5,439)**	(1,253)	**(4,659)**	(34,221)
PROFIT BEFORE TAX	6	**91,060**	203,933	**45,710**	186,427
Income tax	7	**31,355**	(36,073)	**36,584**	(30,293)
PROFIT FOR THE PERIOD		**122,415**	167,860	**82,294**	156,134
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Cash flow hedge:					
Effective portion of changes in fair value of the hedging instruments arising during the period		**12,064**	765	**(29,632)**	2,576
Reclassification adjustments for losses included in the consolidated statement of profit or loss		**185**	21	**–**	44
		12,249	786	**(29,632)**	2,620

	Notes	Six months ended 30 June **2015** **(unaudited)** ***HK$'000***	2014 (unaudited) *HK$'000*	Three months ended 30 June **2015** **(unaudited)** ***HK$'000***	2014 (unaudited) *HK$'000*
Exchange fluctuation reserve:					
Translation of foreign operations		**1,349**	(39,979)	**15,689**	(5,500)
Release upon liquidation of subsidiaries		**(400)**	(158,931)	**(400)**	(150,937)
Release upon derecognition and deemed partial disposal of associates		**1**	275	**1**	275
		950	(198,635)	**15,290**	(156,162)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**13,199**	(197,849)	**(14,342)**	(153,542)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**135,614**	(29,989)	**67,952**	2,592
Profit/(loss) attributable to:					
Owners of the parent		**135,803**	168,874	**90,224**	153,686
Non-controlling interests		**(13,388)**	(1,014)	**(7,930)**	2,448
		122,415	167,860	**82,294**	156,134
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**149,068**	(27,730)	**75,318**	284
Non-controlling interests		**(13,454)**	(2,259)	**(7,366)**	2,308
		135,614	(29,989)	**67,952**	2,592
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9				
Basic		**HK10.25 cents**	HK12.78 cents		
Diluted		**HK10.16 cents**	HK12.78 cents		

Details of the dividends are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 (unaudited) *HK$'000*	31 December 2014 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,302,515**	2,356,369
Prepaid land lease payments		**151,899**	153,930
Goodwill		**134,933**	134,933
Other intangible assets		**1,710**	1,947
Investments in joint ventures		**47,068**	55,600
Investments in associates		**502,619**	509,054
Available-for-sale investments		**111,982**	111,982
Deferred tax assets		**35,225**	38,090
Total non-current assets		**3,287,951**	3,361,905
CURRENT ASSETS			
Inventories		**4,500,281**	4,054,817
Trade receivables	10	**4,847,206**	4,318,138
Bills receivable		**3,544,309**	4,204,018
Other receivables		**1,693,198**	1,943,664
Tax recoverable		**13,711**	17,107
Pledged deposits		**165,569**	203,298
Cash and bank balances		**3,307,456**	3,379,369
Total current assets		**18,071,730**	18,120,411
CURRENT LIABILITIES			
Trade payables	11	**4,063,830**	4,920,901
Bills payable		**4,271,144**	3,543,573
Other payables and accruals		**3,075,371**	3,805,030
Interest-bearing bank and other borrowings	12	**3,599,531**	2,250,564
Due to T.C.L. Industries	13	**387,605**	853,336
Tax payable		**123,648**	180,491
Provisions		**378,595**	362,484
Total current liabilities		**15,899,724**	15,916,379
NET CURRENT ASSETS		**2,172,006**	2,204,032
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,459,957**	5,565,937

	Notes	**30 June 2015 (unaudited)** *HK$'000*	31 December 2014 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,459,957**	5,565,937
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**696,220**	925,033
Deferred tax liabilities		**30,771**	34,726
Total non-current liabilities		**726,991**	959,759
Net assets		**4,732,966**	4,606,178
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	**1,341,787**	1,333,599
Reserves		**3,269,472**	3,135,530
		4,611,259	4,469,129
Non-controlling interests		**121,707**	137,049
Total equity		**4,732,966**	4,606,178

Notes:

1. BASIS OF PREPARATION

These unaudited interim condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

The accounting policies and the basis of preparation adopted in the preparation of these condensed financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

These condensed financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These condensed financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's condensed financial statements.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

Other than as further explained below, the adoption of these revised HKFRSs has had no significant financial effect on these condensed financial statements and there have been no significant changes to the accounting policies applied in these condensed financial statements.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. These amendments do not have any significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these condensed financial statements.

Amendments to HKAS 1	*Disclosure Initiative*[1]
HKFRS 9	*Financial Instruments*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. **OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their geographical television segments and other product types and has two reportable operating segments as follows:

(a) Television segment – manufacture and sale of television sets in:

– the People's Republic of China ("PRC") market

– the overseas markets; and

(b) Others segment – comprises information technology, internet service and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that finance costs, interest income, share of profits and losses of joint ventures and associates as well as head office and corporate income and expenses are excluded from such measurement.

Information regarding these reportable segments, together with their related comparative information, is presented below.

	Six months ended 30 June							
	Television – PRC market		**Television – overseas markets**		**Others**		**Consolidated**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**9,733,731**	8,586,643	**5,594,263**	6,003,586	**69,063**	612,589	**15,397,057**	15,202,818
Segment results	**497,061**	198,420	**(194,967)**	41,121	**(29,232)**	(23,876)	**272,862**	215,665
Corporate income/(expenses), net							**(103,679)**	51,118
Finance costs							**(82,348)**	(98,918)
Interest income							**29,522**	42,526
Share of profits and losses of:								
Joint ventures	**–**	–	**(2,067)**	(891)	**(17,791)**	(4,314)	**(19,858)**	(5,205)
Associates	**49**	(14,958)	**–**	–	**(5,488)**	13,705	**(5,439)**	(1,253)
Profit before tax							**91,060**	203,933
Income tax							**31,355**	(36,073)
Profit for the period							**122,415**	167,860

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**77,524**	95,109
Loans from TCL Corporation	**–**	702
Loans from T.C.L. Industries	**3,847**	2,804
Loans from an associate	**977**	303
Total finance costs for the period	**82,348**	98,918

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Depreciation	**127,645**	137,372
Amortisation of other intangible assets	**204**	76
Amortisation of prepaid land lease payments	**2,130**	2,109
Employee share-based compensation benefits under the Award Scheme	**1,571**	–
Equity-settled share option expense	**10,937**	4,579

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**2,242**	11,219
Current – Elsewhere		
Charge for the period	**12,813**	27,146
Underprovision/(overprovision) in prior periods	**(44,837)**	1,658
Deferred	**(1,573)**	(3,950)
Total tax charge/(credit) for the period	**(31,355)**	36,073

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**135,803**	168,874

	Number of shares Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,324,970,448**	1,321,620,235
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	**11,113,413**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**1,336,083,861**	1,321,620,235

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2014 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the prior period.

10. TRADE RECEIVABLES

The majority of the Group's sales in the PRC were mainly made on the cash-on-delivery basis or on commercial bills guaranteed by banks within credit periods ranging from 30 to 90 days. For overseas sales, the Group usually requires settlement by letters of credit with tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were made on the open-account basis with credit terms of no more than 180 days.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2015 (unaudited)	31 December 2014 (audited)
	HK$'000	*HK$'000*
Current to 90 days	**3,683,161**	3,754,547
91 to 180 days	**771,859**	239,498
181 to 365 days	**192,004**	297,349
Over 365 days	**200,182**	26,744
	4,847,206	4,318,138

Certain subsidiaries of the Group have entered into receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 30 June 2015, trade receivables factored to banks aggregated to HK$5,517,000 (31 December 2014: HK$39,443,000) were fully derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2015 (unaudited) *HK$'000*	31 December 2014 (audited) *HK$'000*
Current to 90 days	**3,874,257**	4,691,774
91 to 180 days	**56,449**	40,097
181 to 365 days	**67,506**	70,016
Over 365 days	**65,618**	119,014
	4,063,830	4,920,901

The trade payables are non-interest-bearing and are normally settled with credit periods ranging from 30 to 120 days.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2015 (unaudited) *HK$'000*	31 December 2014 (audited) *HK$'000*
Current		
Bank loans – unsecured	**3,348,724**	1,736,730
Trust receipt loans – unsecured	**205,807**	298,172
Loans from an associate – unsecured	**45,000**	215,662
	3,599,531	2,250,564
Non-current		
Bank loans – unsecured	**696,220**	925,033
	4,295,751	3,175,597
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,554,531**	2,034,902
In the second year	**696,220**	925,033
	4,250,751	2,959,935
Loans from an associate repayable:		
Within one year	**45,000**	215,662
	4,295,751	3,175,597

Notes:

(a) As at 30 June 2015, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) has guaranteed certain of the Group's bank loans up to HK$2,121,409,000 (31 December 2014: HK$497,028,000) as at the end of the reporting period.

13. DUE TO T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the immediate holding company of the Company. The amount of HK$387,605,000 due to T.C.L. Industries is unsecured, repayable within one year and bears interest at a fixed rate of 1.485% per annum (31 December 2014: an aggregate amount of HK$853,336,000 due to T.C.L. Industries which bore interest at fixed rates ranging from 1.485% to 4.20% per annum).

14. SHARE CAPITAL

	30 June 2015 (unaudited) ***HK$'000***	31 December 2014 (audited) *HK$'000*
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,341,786,780 (31 December 2014: 1,333,598,514) shares of HK$1.00 each	**1,341,787**	1,333,599

During the six months ended 30 June 2015, the subscription rights attaching to 6,360,466 and 1,827,800 share options were exercised at the subscription price of HK$3.17 and HK$3.60 per share, respectively, resulting in the issue of 8,188,266 shares of HK$1.00 each for a total cash consideration of HK$26,742,000 before expenses.

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Group sold total of 7.72 million sets of LCD TVs, up by 2.1% year-on-year. Turnover was HK$15.4 billion, an increase of 1.3% year-on-year. Gross profit rose by 5.1% year-on-year to HK$2,500 million, and gross profit margin increased from 15.7% of the same period of last year to 16.3%. Expense ratio went down from 14.6% of the same period of last year to 14.3%. Operating profit amounted to HK$200 million. Profit attributable to owners of the parent was HK$140 million, down by 19.6% year-on-year. Basic earnings per share was HK10.25 cents.

According to the latest DisplaySearch figures, the Group ranked No.3 in the global LCD TV market with a market share of 6.0% in the first quarter of 2015 and ranked No.3 in the PRC LCD TV market with a market share of 15.8%.

The Group's sales volume of TVs by regions and the number of TCL smart TV users during the period under review were as follows:

	1H 2015 *('000 sets)*	1H 2014 *('000 sets)*	**Change**
LCD TVs	**7,716**	7,557	2.1%
of which: LED backlight LCD TVs	**7,699**	7,558	1.9%
Smart TVs	**2,286**	1,412	61.9%
– PRC Market	**3,868**	3,557	8.8%
– Overseas Markets	**3,848**	4,000	(3.8%)
Total TV Sales Volume	**7,742**	7,669	0.9%

	Accumulated Total as of 30 June 2015	**2015 June**	2014 June	**Change**	**1H 2015**	1H 2014	**Change**
Number of TCL activated smart TV users (1)	**9,062,871**	**429,035**	163,596	162.3%	**2,315,801**	1,231,394	88.1%
Daily average number of active users (2)	**N/A**	**3,440,254**	1,813,127	89.7%	**N/A**	N/A	N/A

Notes:

(1) Number of TCL activated smart TV users refers to the number of users who used the internet TV web service for more than once

(2) Daily average number of active users refers to the number of unrepeated individual users who visit within 7 days

The PRC Market

Through product mix adjustment and organisational efficiency enhancement, the Group's operating results in the PRC Market for the first half of the year showed improvements, compared with the same period of previous year. Turnover increased by 13.4% year-on-year to HK$9,730 million, and LCD TV sales volume increased by 8.8% year-on-year to 3.87 million sets. Of which, operating results improved substantially in the first quarter, with LCD TV sales volume rising by 20.5% year-on-year to 2.17 million sets. The second quarter, however, impacted by negative growth in market capacity and a rather conservative sales strategy of the Group, recorded a 3.3% decline comparing with the same period of last year in LCD TV sales volume to 1.70 million sets, thus diluting the improved results from the first quarter.

In the PRC Market, the Group continued to focus on high colour domain mid-to-high-end products with curved, big-screen, ultra-high-definition, priced at above RMB7,000, as well as quantum dot, etc. Improvement in the product mix has started to yield positive results, with average selling price of LCD TVs increasing by 4.2% year-on-year to HK$2,516, and gross profit margin increasing from 20.4% of the same period of last year to 21.2%.

- Smart TV sales volume increased by 53.4% year-on-year to 1.96 million sets, accounting for 50.7% of the Group's LCD TV sales volume in the PRC Market.

- 4K TV sales volume amounted to 535,000 sets, accounting for 13.8% of the Group's LCD TV sales volume in the PRC Market.

- Since the launch of Curved TV H8800 Series in April, the market share of Curved TVs has increased steeply, taking up 24.0% market share in June (Source: AVC).

The Group continued to promote its strategy of vertical integration of its online and offline business, strengthening the improvements of its distribution channels, with proportion of sales volume from the e-commerce channel increasing from 11.0% in the first quarter to 14.1% of the first half of 2015.

Although there was a continuous improvement in the Group's product mix, there was still a disparity in the sales volume of its 4K TVs compared with its major competitors. On the other hand, impacted by the expansion of the sale channels, its accounts receivable turnover days has increased, compared with the end of last year.

Overseas Markets

The Group's operating results in the Overseas Markets fell below expectations. Turnover decreased by 6.8% year-on-year to HK$5,590 million. Sales volume of LCD TVs was 3.85 million sets, down by 3.8% year-on-year.

- LCD TV sales volume of the Strategic ODM business was down by 13.3% when compared with the same period of last year. Impacted by major customers, sales volume dropped significantly by 34.7% year-on-year in the first quarter. However, sales volume was back on track with an increase of 15.8% when compared with the same period of last year in the second quarter.

- In the first half of the year, LCD TV sales volume in the European Market decreased by 12.8% when compared with the same period of last year due to the influence of regional economics. However, through sales strategy adjustments, LCD TV sales volume has improved since launching of new products in June.

- LCD TV sales volume in the Emerging Markets fell by 1.3% year-on-year to 2.04 million sets.

- In the North American Market, benefitting from successful expansions in sales channels, LCD TV sales volume increased by 123.8% year-on year.

In the Overseas Markets, the Group continued to optimise its product mix towards mid-to-high-end products and initiated the implementation of TV+ strategy, gradually expanding the base of paid content users. However, affected by exchange fluctuations in regions such as Europe and South America, the Group's LCD TV average selling price in the Overseas Markets retreated by 2.3% year-on-year, and gross profit margin narrowed by 2.9 percentage points to 7.8% year-on-year.

Internet Business

Adhering to the proactive promotion of its "double +" strategic transformation, the Group continued to propel the establishment of an internet ecosystem for its existing and new businesses. It has continued to develop four core internet businesses comprising video (including GoLive), gaming, education and lifestyles.

- Average daily video-on-demand frequency increased from 11 times in 2014 to 14 times in the first half year of 2015; average daily time spent stood at 3.8 hours (based on data of iQIYI content).

- Average daily viewing time of education contents increased from 13.6 minutes in 2014 to 43 minutes in the first half year of 2015.

- Average daily gaming time within a week increased from 43 minutes in 2014 to 72.5 minutes in the first half year of 2015.

At the end of the reporting period, the accumulated number of TCL activated smart TV users totalled 9,062,871 and the daily average number of active users in June 2015 was 3,440,254. In the first half of the year, service revenue from its internet business was RMB2.47 million.

As the realisation model of video streaming business develops into a mature stage, the Group's video service revenue is estimated to reach approximately RMB40.4 million in 2015 through large amount of service revenue generated from paid contents and advertising, etc. Total service revenue from its internet business will reach approximately RMB50.0 million.

In terms of future strategies of the internet business, the Group's ultimate holding company, TCL Corporation, officially announced that it had entered into a strategic cooperation agreement with Tencent Holdings Limited in May 2015, as well as cooperating on GoLive home theatre business, which will support the Group's internet business through the development of video and gaming TV applications. Besides, the Group will lay the foundations for strategic investments in its education and lifestyles businesses, and build a diversified TCL platform.

R&D

At the spring product launch presentation held in Shenzhen on 8 April, 2015, the Group introduced various new products, including its flagship new TV+ product, the Curved TV H8800 Series. Such series combines the industry's advanced quantum dot and curved screen dual core technologies, with an industry leading colour domain coverage ratio of 110%. While record-breaking surface curvature greatly enhances picture quality, the series is also equipped with Harman Kardon sound system to bring to users a cinematic audio-visual experience. In addition, the Group introduced an innovative product, the E6800 True Colour Series Module TV. Users will be able to freely swap smartcards to bring a various range of smart TV configurations and performances. Other new products included the exquisite 4K2K TV from the innovative True Color TV E5800 Series, and the smart full high-definition TV F3800 Series, etc.

The Group is continuously committed to strengthening capabilities in its product technology innovation, and will soon launch High Dynamic Range TV with higher luminance dynamic range and wider colour gamut to enhance users' visual experience, continuously providing them with more convenient smart TV control systems. It will also offer an optimised solution for improved internet broadcasting in order to adapt to the changes in the evolving TV ecosystem.

Outlook

According to the latest data from DisplaySearch, the future growth of the global TV industry is expected to slow down. According to the latest statistics from China Market Monitor Company Limited, capacity in the PRC market is expected to reverse from a growth pattern to a decline trend in the second half of the year. Industry competition is intensifying, along with the industrial transformations in the conventional TV industry, with new entrants bringing new business model challenges, and a shift in the TV industry from product-based competition to "products + services" battle. All these have resulted in increasing competitive pressure in the future.

The Group will continue to pursue the following strategies to actively promote its business transformation, consolidate and improve its TV market share, and enhance operational efficiency:

1. The Group will continue to implement the "double +" strategic transformation and strengthen its capabilities in product technology innovation, various applications and content services, thereby establishing a competitive O2O business model to further promote the integration of its online and offline operations and strengthen its user management capability.

2. The Group will continue to pursue the internationalisation strategy and gradually expand the share of paid content users through the TV+ strategy of integrating TV sales with content operations in the Overseas Markets. Besides, it is expected that its overall competitiveness and operational quality can also be improved in the key markets through enhancing marketing and industrial capacity and optimising supply chain management.

3. The Group will strive to enhance its efficiency. 2015 is a year of "Efficiency" + "Structure". In the first half of the year, improvement in the product mix has started to yield results. The Group will continue to improve its product mix and sales channels, and adjusts its organisational structure to help optimise its decision-making mechanism and further improve its operational efficiency and core competitiveness.

The Group is committed to achieving its operational targets in 2015. Meanwhile, it will continue to take full advantage of the resources and market position of TCL Corporation to establish TCL Multimedia as a "global entertainment technology enterprise", delivering improved results to reward the support of shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

The Group has the following significant investment during the period.

On 11 November 2014, Sino Leader (Hong Kong) Limited ("Sino Leader", a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Crown Capital Enterprises Limited (a wholly-owned subsidiary of TCL Corporation) and Prosper Fortune Enterprises Limited (a wholly-owned subsidiary of TCL Communication Technology Holdings Limited) to invest in a joint venture, TCL Smart Home Technologies Co., Limited ("TCL Smart Home"). Pursuant to the joint venture agreement, Sino Leader will contribute RMB9,000,000 (equivalent to approximately HK$11,369,000) as initial capital contribution to TCL Smart Home, representing 30% of the enlarged capital of TCL Smart Home. As the business develops, Sino Leader will contribute up to a maximum of further RMB18,000,000 (equivalent to approximately HK$22,680,000) to TCL Smart Home by way of subscription of new shares and/or advancing shareholders' loan. The initial capital contribution was completed on 16 February 2015.

Liquidity and Financial Resources

The Group's principal financial instruments comprise bank loans, factorings, cash and short-term deposits. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

The cash and bank balance of the Group as at 30 June 2015 amounted to approximately HK$3,307,456,000, of which 0.3% was maintained in Hong Kong dollars, 18.2% in US dollars, 77.2% in Renminbi, 1.4% in Euro and 2.9% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2014 and there was no asset held under finance lease as at 30 June 2015.

As at 30 June 2015, the Group's gearing ratio was 26.2% which is calculated based on the Group's net borrowing of approximately HK$1,210,331,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK$4,611,259,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 30 June 2015, pledged deposits of the Group amounting to approximately HK$165,569,000 were pledged for certain bills payable amounting to approximately HK$153,658,000 (31 December 2014: pledged deposits of the Group amounting to approximately HK$203,298,000 were pledged for certain bills payable amounting to approximately HK$200,846,000).

Capital Commitments and Contingent Liabilities

As at 30 June 2015, the Group had capital commitments of approximately HK$49,997,000 (31 December 2014: HK$61,429,000) and approximately HK$304,688,000 (31 December 2014: HK$305,633,000) which were contracted but not provided for and authorised but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the Company's 2014 annual report.

Foreign Exchange Exposure

Due to its international presence and operation, the Group is facing foreign exchange exposure including transaction exposure and translation exposure.

It is the Group's policy to centralise foreign currency management to monitor the Company's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, in line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

Employee and Remuneration Policy

The Group has a total of 23,860 dynamic and talented employees. They are all dedicated to advancing the quality and reliability of our operations. Remuneration policy is reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Company. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Options for subscribing a total of 56,091,593 shares remained outstanding at the end of the reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 pursuant to which existing shares would be purchased by the trustee from the market out of cash contributed by the Company and be held on trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme.

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the six months ended 30 June 2015.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2015, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation from the Code Provisions A.6.7, D.1.4 and F.1.1. The reason for the deviation from the Code Provision F.1.1 remains the same as those stated in the Company's 2014 annual report.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. Albert Thomas DA ROSA, Junior, Mr. HUANG Xubin and Mr. SHI Wanwen (resigned as a non-executive director of the Company on 21 May 2015), being non-executive directors of the Company; and Dr. TSENG Shieng-chang Carter, being an independent non-executive director of the Company, were not present at the annual general meeting of the Company held on 28 April 2015. However, Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong, being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for all directors (except for Mr. YAN Xiaolin who was appointed as a non-executive director of the company on 24 April 2013 and Ms. XU Fang who was appointed as an executive director of the Company on 21 May 2015) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 June 2015, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Mr. TANG Guliang (Chairman), Ms. WU Shihong and Dr. TSENG Shieng-chang Carter, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code. Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 12 August 2015

As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, HAO Yi, YAN Xiaolin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior and HUANG Xubin as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, TSENG Shieng-chang Carter and SO Wai-man Raymond as independent non-executive directors.